

## World Beef Trade Overview

### Total Beef Trade Forecast at Record Level for 2003; U.S. Export Growth to Slow from Previous Year

**World Trade:** Total beef exports for major exporting countries are forecast at 6.6 million tons in 2003, an increase of 4 percent over the 2002 estimate. As global demand increases and disease concerns ease, beef exports are forecast higher for most major exporters, many of which will be record setting. Australia remains the top world exporter of beef as exports are expected to reach a record 1.425 million tons. Brazil, with record exports forecast for 2003, remains in third place behind Australia and the United States. Argentina and Uruguay continue moving towards exporting more fresh/chilled beef, which accounts for much of the increased world competition. Canadian exports are forecast to rise modestly in 2003. Japan is forecast to account for about 40 percent of the total world increase in imports as it continues to recover from BSE, in spite of the pending beef safeguard that could be triggered as early as July 2003. However, Japan's Diet decides in March 2003 whether to alter its tariff code before the end of the fiscal year to impose the beef safeguard system. U.S. beef exports are expected to increase to a record 1.163 million tons. Korea is expected to import record volumes of beef in 2003, while U.S. beef imports remain flat around the record level of 1.481 million tons.

#### Key Exporters:

- **United States:** Beef exports for 2003 are forecast up at 1.163 million tons. U.S. beef production is forecast to fall 3.5 percent to nearly 12 million tons in 2003 after rising almost 4 percent in 2002 due to increased slaughter and higher slaughter weights resulting from another year of dry conditions. Assuming a return to normal pasture conditions, higher cow and heifer retention for herd rebuilding during 2003 will mean reduced slaughter of female animals. This will in turn reduce domestic beef supplies and consumption, which is forecast to fall 272,000 tons to nearly 12.5 million tons in 2003. With less beef available, only moderate growth will be seen in most major markets as export expansion will be constrained as prices rise.
- **Australia:** Total beef exports are forecast to grow to a record 1.4 million tons in 2003. Australia's beef production is forecast down 2 percent at 2.05 million tons. Drought conditions in 2002 reduced inventories and better range conditions are expected to lead to herd rebuilding in 2003. Australia appears to have filled the U.S. beef import quota in 2002 and, in spite of the reduction in production, is likely to fill it again in 2003. With more beef moving to export in 2003, Australian beef prices are likely to continue their downward trend and pressure competitors in export markets such as Korea and Japan.
- **Brazil:** Continuing a decade of expanding beef production, Brazil's beef output is expected to reach a record 7.4 million tons in 2003. This strong growth in the beef sector will lead to record beef exports, forecast at 970,000 tons in 2003. Exporting only 306,000 tons in 1998, Brazil has doubled the number of countries it exports to in

recent years. Acceptance of its regional FMD free status by many countries in 2002 allowed Brazil to moderately expand its presence in several markets. Brazil's exports of thermo-processed beef to the United States rose sharply. Approximately three-quarters of Brazil's exports now consist of frozen and fresh/chilled beef. Brazilian exports have benefited from a number of currency devaluations, low production costs and recent investment to expand production capacity.

- **Canada:** Canada's exports in 2003 are expected to grow to 615,000 tons, up slightly from 2002. Canadian cattle herds reached 13.7 million head on January 1, 2002, but fell 3 percent by January 1, 2003 after severe drought combined with high feed prices caused producers to liquidate herds. In 2003 beef production is forecast to decline 3 percent in response to lower inventories and relatively tight feed supplies. Canada will continue to export primarily higher-value, fresh/chilled beef cuts to the United States and Japan.
- **European Union:** Beef exports for 2003 are forecast at 530,000 tons, up from the 2002 estimate, but still constrained by concerns about BSE. EU exports are expected to remain limited to its Russian and Eastern European neighbors. Many of the EU's trading partners in the Middle East have maintained restrictions concerning BSE, but a relaxation of import controls in the Middle East markets could result in a small increase in exports in 2003.

#### **Key Importers:**

- **United States:** Beef imports for 2003 are forecast slightly higher at a record 1.5 million tons. Canada is the most important U.S. supplier of high-quality, fresh/chilled beef, while Australia is the number one supplier of processing frozen beef. Due to outbreaks of FMD in Uruguay and Argentina in 2001, the United States stopped imports of fresh/chilled and frozen beef from these two countries. Uruguay could regain access to the U.S. market in late 2003. Uruguay fresh/chilled and frozen beef imports are subject to an annual 20,000 ton TRQ.
- **Japan:** With demand expected to recover as concerns about the safety of beef consumption diminish, beef imports for 2003 are forecast at 850,000 tons, still below pre-BSE levels. As a result of stronger second quarter imports, Japan is expected to trigger a safeguard on beef imports sometime in the summer of 2003. If Japan enacts the safeguard, beef import tariffs will rise from 38.5 percent to 50 percent. These will remain in effect for at least the remainder of Japan's fiscal year 2003, which ends on March 31, 2004. A safeguard action could slow import growth by raising prices of imported beef and shift some imports into the first quarter of 2003 in anticipation of the safeguard announcement.
- **Russia:** Beef imports for 2003 are forecast at 800,000 tons, up 70,000 tons from 2002. Imports largely consist of low-grade, frozen beef for further processing into sausage. On April 1, 2003, in an effort to support domestic beef prices to encourage more production, a tariff rate quota (TRQ) set at 420,000 tons will become effective

for frozen beef. This TRQ is expected to have limited impact on total meat imports however, due to the exclusion from the TRQ of the Commonwealth of Independent States (CIS), which supply 25 percent of Russian imports of frozen beef. Due to the manner in which the TRQ was calculated including CIS countries' exports, but yet excluding them from its application, enough room will remain in the TRQ for exporters to send as much or more frozen beef than they sent in 2002. The cattle herd in Russia is forecast to continue its decline, with cattle inventories in 2003 only half the level of a decade earlier.

- **European Union:** Beef imports for 2003 are forecast at a record 520,000 tons, up 30,000 tons from 2002. Argentina, Brazil and Uruguay are the top exporters to the EU and the greatest beneficiaries of expanding EU demand. Consumption in almost all EU countries has returned to pre-BSE levels. U.S. exports to the EU continue to be limited because of the hormone ban. The cattle herd in the EU is forecast to decline as some farmsteads elect to permanently leave the beef industry in response to declining government financial support. With the gap between total exports and imports falling to only 10,000 tons in 2003, the EU is moving much closer to becoming a net beef importer.
- **Mexico:** In 2003 beef imports are forecast at 500,000 tons. Mexico's cattle herd continues to decline further to 20.1 million head for 2003, 33 percent below a decade earlier. Continued dry conditions and financial burdens are resulting in a continued liquidation; however, with rising disposable incomes and reduced production, Mexico is increasingly looking at imports to meet consumer demand. Aided by NAFTA-induced tariff elimination, the United States currently supplies 84 percent of Mexico's fresh/chilled beef imports and 84 percent of offal imports.
- **Korea:** Beef imports for 2003 are forecast at a record 445,000 tons, a modest expansion from 2002 imports. Korea's cattle herd showed no change between 2002 and 2003, remaining at 1.9 million head. Due to the market being liberalized and uncertainty regarding Korea's economic situation in 2003, no large increases in beef imports or consumption are anticipated this year. With high domestic beef prices and a strong Korean won, consumers will seek cheaper imported beef. Korean imports of fresh/chilled beef jumped in 2002 in response to the elimination of the last of its barriers to trade and retail sales of imported beef in late 2001.